The Moderating Influence of Trust on the Relationship between Institutional Image/Reputation, Perceived Value on Student Loyalty in Higher Education Institution

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ABSTRACT

This survey investigates the moderating influence of trust on the relationships between institutional image/reputation, perceived value on student loyalty. The methodology utilises primary data obtained from questionnaire administered to a sample of 304 postgraduate international students in Universiti Utara Malaysia using simple random probability sampling. Multiple regression technique was employed to analyse data via SPSS statistical package. Results established that institutional image and perceived value have significant positive influence on student loyalty. Institutional image has significant positive influence on perceived value. The influence of image on student loyalty is greater followed by image on student perceived value. Furthermore trust was found to insignificantly moderate between institutional image and perceived value on student loyalty. It is recommended that to successfully compete in a dynamic and complex world of academic excellence universities must be seen to portray favourable image/reputation in terms of practices and actions that invariably transforms to higher perceived value and student loyalty behaviour.

Keywords: Institutional Image, Perceived Value, Student Loyalty
JEL Classification: M3

1. INTRODUCTION

The concept of student or customer loyalty has been widely researched by scholars and practitioners. With increased competition globally, higher education institutions are continuously advancing and repositioning their strategy in an effort to ensure long term student loyalty. Realising the importance of student loyalty to their continued survival institutions have strived to forecast, understand and satisfy students’ needs and preferences. Since institutions are competing for loyalty using different marketing strategies, students trust to the institution might be influenced by favourable image and perceived value of products or services offerings. And that both student perceived value and institutional image/reputation are key determinants of customer loyalty (Tarus and Rabach, 2013), and exceptionally for specialised service firms (Zabala et al., 2005). Hence vision about student loyalty as well as the factors responsible for their loyalty behaviour should be of ultimate concern when determining the most suitable organizational strategy (Yap et al., 2012; Helgesen and Nesset, 2007).

Prior studies have examined in varying context, the relationships between student (customer) loyalty and constructs such as satisfaction, perceptions of reputation (Helgesen and Nesset, 2007), satisfaction and performance (Helgesen, 2006; Zeithaml, 2000; Kotler and Fox, 1995), satisfaction (Wilkins and Balakrishnan, 2013), service quality (Zeithaml et al., 1996), perceived value (Petruzzellis and Romanazzi, 2010; Yang and Peterson, 2004), service quality, student satisfaction (Agarwal and Teas, 2001; Teas and Agarwal, 2000; Johnston, 1995), perceived service value, service quality and social pressure, customer satisfaction, corporate image (Tarus and Rabach, 2013), customer trust and commitment (Garbarino and Johnson, 1999), customer satisfaction (Lai et al., 2009; Chandrashekaran et al., 2007), and corporate image (Gummesson and Gronroos, 1988; Hart and Rosenberger, 2004). To a large extent, researches regarding factors
accountable for student or customer loyalty behaviour unfold. Due to the nature of industry (Jones and Sasser, 1995; De Rutyer et al., 1998; Eskildsen et al., 2004), complexities of customer and the different institutional techniques in delivering quality products or services and its perception by students (Stodnick and Rogers, 2008). According to Tarus and Rabach (2013), “the determinants of one industry cannot be generalized in other industries.” The intensity of implementation and measures used varies with organizations (Sarkinjaji et al., 2015). Even though studies have examined drivers of customer loyalty, literature on university image as perceived by its students and how this image affects their behaviour remains scarce (Alves and Raposo, 2010). In addition, few studies have comprehensively examined the effect of institutional image on customers’ trust (Lin and Lu, 2010). Empirical studies also suggested that trust is more vital in safeguarding loyalty compared to satisfaction (Caceres and Paparoidamis, 2007; Ranaweera and Prabh, 2003). Furthermore, while researches have focused on investigating the link between loyalty and different relationship constructs the combined effect of institutional image/reputation and perceived value on student loyalty with trust as moderator remains inadequate especially in higher education industry. Loyalty concept has been inadequately applied in higher education (Alves and Raposo, 2010).

This paper seeks to investigate the influence of institutional image/reputation and student perceived value on student loyalty. It further examines the moderating influence of student trust among the study variables. The paper comprised of the following sub-topics namely; introduction, theoretical background and hypotheses, methodology, discussion of results and concluding remarks.

2. THEORETICAL BACKGROUND AND HYPOTHESES

As a spread out on relationship marketing literature, studies have developed a complete model of the antecedents of relationship marketing outcomes (Kaur and Soch, 2013). This study proposes a framework that investigates the relationships between institutional image/reputation, perceived value, trust and student loyalty. What differentiates this framework from past researches are; loyalty is measured from composite perspective and is unusual to find empirical studies focusing solely on trust as moderator of relationships between institutional image/reputation, student perceived value, and loyalty.

2.1. Student Loyalty

The concept of customer or student loyalty in the marketing literature can be substituted (Ali Dehghan et al., 2014). From the perspective of both a corporate and educational institution their administration requires comparable methods and share common qualities (Hoyt and Howell, 2011). Previous studies have regarded educational institutions as service providers and students as customers (Helgesen and Nesset, 2007; Hennig-Thura et al., 2001). The competitive nature of higher education institutions globally has resulted in a situation where survival depends on their capability to maintain current and potential students as their primary raw materials. Student loyalty is vital to academicians and has become the subject of strategic concern to higher education institutions (Ali Dehghan et al., 2014). Therefore, this study considers composite perspective of student loyalty comprising of both their behavioural and attitudinal loyalty (Tarus and Rabach, 2013). Focusing on both attitudinal and behavioral loyalty creates truly loyal students (Harsandaldeep and Harmeen, 2013). Behavioural perspective considers student’s consistent and future loyalty behaviour (Sarkinjaji et al., 2014a; Bodet, 2008; Rauyruen and Miller, 2007). It provides a rational approach of a brand’s market performance compared to its rivals (O’Malley, 1998) yet the determinants have been unable to differentiate between true and false loyalty (Dick and Basu, 1994). Attitudinal perspective measures loyalty in terms of consumers’ psychological process (Jacoby and Chestnut, 1978), and his affection strength with respect to a brand (Baloglu, 2002; Petrick, 2004a). In such situation, customers develop love for the business and prefer to constantly be remaining loyal to the business, than to competitors. It focuses on consumer testimonies instead of real buying (Kelvin et al., 2013) and that may not necessarily account for a true picture of reality (Odin et al., 2001).

2.2. Institutional Image and Student Loyalty

Institutional image is conceived as the outcome of the interactions among person’s impression, prevailing beliefs, thoughts, and feelings about an entity (Lin and Lu, 2010). In a study to ascertain the degree of students satisfaction with their university in UAE, factors such as lecturers excellence, accessibility and quality of resources, and effective technology in use were to be most influential (Wilkins and Balakrishnan, 2013). Several studies have examined the relationship between institutional image and student loyalty in the education sector (Alves and Raposo, 2010; Weivei, 2007; Helgesen and Nesset, 2007; Eskildsen et al., 1999; Nguyen and Leblanc, 1998). To date, institutional image/reputation has remained the focus and concern of both students and other stakeholders in the choice of an institution instead of internal specific-attributes such as excellent infrastructures, quality staff, and sound admission requirements. Corporate image performs a moderating influence in student’s behaviour (Tarus and Rabach, 2013). Knowledge of what inform students’ behaviour toward choice of a particular university offers ample opportunity for management to develop effective loyalty strategy. Reputation management is one major factor that accounts for students’ loyalty (Helgesen and Nesset, 2007). Within the higher education context, Nguyen and LeBlanc (2001) established that higher tendency of student loyalty exist when perception of institutional image/reputation are favourable. That the interaction between the two constructs explains more on student loyalty. Tarus and Rabach (2013) emphasised that realizing the benefits of customer loyalty depends on a company’s ability to invest in good corporate image. They however, contended that ordinarily firms with good corporate image may influence the manner customer’s sense their products value. Offering quality products or services and responding more efficiently to students’ needs and preferences that could result in good image/reputation requires institutions focusing more on innovation (Sarkinjaji et al., 2015). Studies have found image to have strong influence on higher education student’s loyalty (Weivei, 2007; Eskildsen et al., 1999). For higher education institutions to compete through image there is need to evaluate the university image held by its students and that image is vital.
to attract and retain students (Alves and Raposo, 2010). Sequel to these arguments the following hypothesis is offered:

H1: Institutional image has significant positive impact on student loyalty.

2.3. Institutional Image and Student Perceived Value
The association between institutional image/reputation and perceived value is essential in the determination of student behaviour. Scholars have established that a favourable image will increase in students’ perceived value that ultimately influences their loyalty. Institutional existing image/reputation is often more significant than quality since it is the perceived image that actually inspire choices made by potential students (Kotler and Fox, 1995). The significance of image/reputation on satisfaction will ultimately be projected on the basis of their customer-related outcomes i.e. perceived value (Keith and Wiedmann, 2006). Good image are looked upon to be delivering higher value products/services and thus considered as satisfaction-driven. A favourable perception of image/reputation is supposed have significant positive influence on student loyalty (MacMillan et al., 2005). Within the Italian higher education context, high dissatisfactions occur due to different methods applied by institutions in the offering of quality services and its perception by students (Stodnick and Rogers, 2008). Institutional image was found to have a strong moderating relationship between perceived value and student loyalty (Tarus and Rabach, 2013). Higher education institutions should place more emphasis on the value offered to students and the needs of other stakeholders.

H2: Organizational image has significant positive impact on student perceived value.

2.4. Perceived Value and Student Loyalty
Several studies have established perceived service value as a strong determinant of customer loyalty (Tarus and Rabach, 2013; Andreassen and Lindestad, 1998). In an effort to offer high value products or services universities could enhance student loyalty (Petruzellis and Romanazzi, 2010). Within the retailing context, value absolutely facilitates the influence of frontline employee trust on loyalty (Sirdeshmukh et al., 2002). McDougall and Levesque (2000) found perceived value as the most significant driver of customer satisfaction and loyalty. Switching cost only moderates the relationship between customer satisfaction and loyalty when perceived value is above average (Yang and Peterson, 2004). Although researchers have investigated the association between perceived value and customer loyalty. Yet empirical evidence linking perceived value and student loyalty calls for further research especially that perceived value is seen to be a strongest determinant of stakeholder’s loyalty to institutions. Students tend to build confidence and prefer to remain loyal as they perceive an institution’s products or services value as high or acceptable. Oftentimes students understanding of high value institutions is based on the capability of the institution to interact with public, offer excellent graduates and facilities, and effective learning atmosphere. This could help build long-term loyalty among students and institution. On the basis of the aforementioned arguments the following hypothesis is proposed:

H3: Perceived value has significant positive influence on student loyalty.

2.5. Institutional Image, Trust and Student Loyalty
Morgan and Hunt (1994) conceive trust as a confidence built regarding the reliability and integrity of one party by another in an exchange relationship. It is also considered as the consumers’ dependence on organization’s offered service quality and reliability (Garbarino and Johnson, 1999). Trust is presumed to moderate the relationship amongst institutional image/reputation and student loyalty. Studies have argued that favourable corporate image helps build trust in an organisation and attract the stakeholders that facilitates success (Fombrun and Shanley, 1990; Van Riel, 1995). Students have their anticipations that usually direct their loyalty decision. In general, these anticipations depend on the image/reputation of the institution such that institutions with favourable image/reputation might affect the manner they trust and patronise their products or services. Lin and Lu (2010) established that corporate image has significant positive influence on trust and trust influence consumer purchase intention. They argued that since different types of corporate image exhibit different levels of influence on consumer trust. The influence of trust on purchase intention must be considered. Corporate image helps facilitate consumers’ knowledge on products or services offered by a certain company and reduce uncertainty while making buying decisions (Robertson and Gatignon, 1986). Higher education institutions should invest in favourable corporate image/reputation so that they can benefit from student trust and loyalty behaviour.

H4: Trust moderates the relationship between organizational image and student loyalty.

2.6. Perceived Value, Trust and Student Loyalty
Student perceived value is believed to influence trust and loyalty when institutional image is favourable (Figure 1). Students’ trust and purchase behaviour increases when perceived value is high. To earn trust; the actions of one party must be believed by another party that it will bring about positive results and the party should perceive value or quality as positive (Aydin and Ozer, 2005). So, in building trust, the customer should not only perceive positive outcomes but also believe these positive outcomes will continue in the future (Yap et al., 2012). Nguyen et al. (2014) found trust to have significant moderating influence on the relationship between customer perception and their loyalty. They, however, argued that consumers’ unfavourable perception severely decreases

Figure 1: Conceptual framework adopted from European Customer Satisfaction Index model revised by Ball et al. (2006)
their loyalty intentions with trust strengthening the relationship. Institutions must identify and manage students’ knowledge effectively in order to satisfy their perceived needs and preferences that could assist in building trust and loyalty behaviour (Sarkindaji et al., 2014b). There is a strong relationship between trust and loyalty when student have greater perceived value than those with very low perceived value. Trust raises loyalty intentions at the expense of unfavourable perceptions (Nguyen et al., 2014).

H5: Trust moderates the relationship between perceived value and student loyalty.

3. METHODOLOGY

Using simple random probability questionnaires were administered to a sample size of 318 students chosen from a population of 1541 postgraduate students in Universiti Utara Malaysia (UUM) in accordance with Yamane (1967). Overall, only a total of 304 questionnaires representing 95.6% response rate were successfully used in the final analysis. Measurement items of all constructs were adopted from past studies namely institutional image from (Andreassen and Lindestad, 1998; Bloemer and de Ruyter, 1998; Nguyen and Leblanc, 2001), trust (Morgan and Hunt, 1994), perceived value adapted from (Lai et al. 2009) and composite loyalty (Chaudhuri and Holbrook, 2001; Evanschitzky et al., 2006; Gremler and Brown, 1996; Zeithaml et al., 1996). These items were all measured on a seven-point Likert scale ranging from “strongly agree” to “strongly disagree.” Regression analysis was employed to test the hypothesised relationships.

4. DISCUSSION OF RESULTS

Results of regression analysis in Table 1 shows the correlation score between the study’s constructs. Student perceived value is positively correlated with institution image (0.345). Student trust of the university has a significant correlation with institution image (0.345). Student trust (M = 10.472, SD = 5.4021), and student loyalty (M = 12.919, SD = 5.4721), perceived value (M = 5.135, SD = 2.8188), were all above 5.00. This implies that UUM’s postgraduate students’ are loyal because they perceived the university’s image and value to be very high and that resulted in their trust to the university.

4.1. Testing Hypotheses

This study employed multiple regression analysis tools to assess the hypothesised relationships. Results of the analysis reveal the Durbin–Watson values for paths 1-3 in Table 3 were 2.063, 1.604, and 2.063 respectively. Hence, are within the general rule of thumb of between 1.5 and 2.5. This implies that no autocorrelation existed within the 1% significance level between the residual items.

Results in Table 3, displays the relationships among the study variables. Testing the relationship between institutional image and student loyalty scores where β = 0.345, t = 6.387, P < 0.001. This statistical value reveals that UUM’s image has a significant positive influence on student loyalty behaviour, hence H1 was supported. This is consistent with opinion that attaining the benefits of customer loyalty depends on a company’s ability to invest in good corporate image (Tarus and Rabach, 2013). On the influence of institutional image on student perceived value the results shows β = 0.345, t = 9.051, P < 0.001. Thus, implies that university with favourable image/reputation tend to have strong positive influence.
on their students’ perception of the value attached to the institution, thus H2 was supported. The result was in agreement with Kotler and Fox (1995) that current institutional image is frequently more important than quality because it is the perceived image that actually inspires choices made by potential students. Also, results examining the relationship between perceived value and student loyalty were $\beta = 0.323$, $t = 6.734$, $P < 0.001$, confirming that institutional perceived value has significant positive effect on student loyalty to the institution. Hence, H3 was supported. The finding is supported by Sarkindaji et al. (2014b) who emphasised that universities must identify and manage students' knowledge effectively in order to satisfy their perceived needs and preferences that could assist in building trust and loyalty behaviour.

4.2. Moderation Test

Results of regression analysis of Model 1 in Table 4 depicts student loyalty regressed on the presumed moderator variables. Testing the moderating effect of trust on institutional image and student loyalty the scores in Model 1 where $R^2 = 0.58$, $\beta = 0.324$, $P < 0.001$. In Model 2, as the interaction variable i.e. IMGTRU was integrated the scores where $R^2 = 0.57$, $\beta = 0.757$, $P < 0.001$ resulting in decrease in the total variance explained by $R^2$ value from 58% to 57%. The outcome of this interaction signifies absence of moderation. Thus, confirmed that trust does not moderate the relationship between university image and student loyalty to the institution, hence H4 was not supported. This is inconsistent with a study that confirmed institutional image to have significant positive influence on trust and trust influence loyalty intention (Lin and Lu, 2010). Their opinion postulated that different types of corporate image exhibit different levels of influence on consumer trust. Although the result of this study is not in support of the proposed hypothesis, yet other factors such as satisfaction, relationship and service quality, social pressure, commitment and perceived value may have played a very crucial moderating role in strengthening the relationship among UUM’s image and postgraduate student loyalty. This might be due to different cultural and countries background of the composition of UUM’s postgraduate international students.

Similarly the results show a reduction in the $R^2$ value from 53% to 46% when examining the influence of trust on perceived value and student loyalty. Hence, established that trust does not moderate the association among student perceived value and their loyalty to the university, therefore H5 was not supported.

5. CONCLUSION

Based on the study’s conceptual framework five relationships were hypothesised. Overall findings supported three hypotheses while two were not supported. From the results the importance of institutional image and perceived value cannot be undermined as they play a very crucial role in influencing student loyalty. However, institutional image and perceived value was found to have positive significant influence on UUM’s student loyalty. This was established by Nguyen and LeBlanc (2001) that there exists a greater propensity of loyalty attitude as the students’ perception of institutional image/reputation is seen to be favourable. Results further established that institutional image has a strong positive impact on UUM’s student perceived value. An institution’s perceived image is what truly inspires decisions made by potential students (Kotler and Fox, 1995). Consequently, in establishing the moderating influence of trust on the relationships between institutional image and perceived value on student loyalty, findings affirmed absence of moderation between the variables and therefore provided no support for the two hypothesised relationships. Although trust does not moderate the relationships between UUM’s image and perceived value with student loyalty, other factors such as satisfaction, quality of service, and excellent facilities might have played a significant role.

Furthermore the population of this survey focused solely on UUM’s international postgraduate students without considering undergraduate international students and possibly other students who are Malaysian indigenes. This poses a limitation and reduces the strength of our findings. Future study should widen the scope and identify other possible drivers of student loyalty, in addition to investigating other moderating factors on the relationships between image and perceived value on loyalty such as commitment, satisfaction and social value.

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